

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant

George E. Morris

90-01937

Name of Respondents

Paribas Corporation
Paribas North America Inc.
Michel Francois Poncet
Oliver Robert Piani
Francois Morin
John F. Cuneo
Patrick Vernon King Stevenson
Kevin Moynihan
Thomas Webster Matchett, Jr.
Phillipe Blavier
Alain Dewulf
Mark Vermeullen

REPRESENTATION

For Claimant George E. Morris ("Claimant"): Blair Axel, Esq., of Patterson, Belknap et al.

For Respondents Paribas Corporation and Paribas North America, Inc., incorrectly named by Claimant as Paribas North America Corporation (together known as "Paribas"): Thomas J. Schwarz, Esq., of Skadden, Arps et al.

For Respondents Michel Francois Poncet ("Poncet"), Oliver Robert Piani ("Piani"), Francois Morin ("Morin"), Patrick Vernon King Stevenson ("Stevenson"), Kevin Moynihan ("Moynihan"), Phillipe Blavier ("Blavier"), Alain Dewulf ("Dewulf"), and Mark Vermeullen ("Vermeullen"): Thomas J. Schwarz, Esq., of Skadden, Arps et al.

CASE INFORMATION

Statement of Claim filed: July 11, 1990

Amended Statement of Claim filed: December 13, 1990

Claimant's Submission Agreement signed on: July 10, 1990.

Statement of Answer filed by Respondents Paribas on: September 11, 1990.

Respondents Paribas' Submission Agreements signed on: September 10, 1990.

Statement of Answer filed by Respondent Thomas Webster Matchett, Jr.
("Matchett") dated: February 8, 1991.

("Matchett") dated: February 8, 1991.

Respondent Matchett's Submission Agreement signed on: February 7, 1991.

Statement of Answer filed by Respondent John F. Cuneo ("Cuneo") dated:
February 8, 1991.

February 8, 1991.

Respondent Cuneo's Submission Agreement signed on: February 6, 1991.

Since not required, pursuant to Section 25 of the Code of Arbitration Procedure, Respondents Poncet, Piani, Morin, Stevenson, Moynihan, Blavier, Dewulf, and Vermeullen did not file a Statement of Answer nor a Submission Agreement.

HEARING INFORMATION

Pre-Hearing Conference: April 12, 1991/1 session/3 arbitrators
May 24, 1991/1 session/1 arbitrator
August 15, 1991/1 session/1 arbitrator

April 12, 1991/1 session/3 arbitrators

May 24, 1991/1 session/1 arbitrator

August 15, 1991/1 session: 1 arbitrator

Hearing Dates/Sessions: June 11, 1991/2 sessions

June 12. 1991/2 sessions

July 10, 1991/2 sessions

July 11, 1991/2 sessions

August 6, 1991/2 session

August 7, 1991/2 sessions

August 21, 1991/2 session

August 22 1991/2 sessions

October 2 1991/2 sessions

October 3, 1991/2 sessions

October 4, 1991/2 sessions

October 21 1991/2 sessions

October 22. 1991/2 sessions

October 22, 1991/2 sessions
October 23, 1991/2 sessions

October 23, 1991/2 sessions
November 11, 1991/1 session

November 11, 1991/1 session

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December 16, 1991/2 sessions
December 19, 1991/2 sessions
January 7, 1992/2 sessions
January 8, 1992/1 session
August 18, 1992/2 sessions
August 19, 1992/2 sessions
August 20, 1992/2 sessions
October 26, 1992/2 sessions
October 27, 1992/2 sessions
November 10, 1992/1 session
November 11, 1992/2 sessions
January 6, 1993/2 sessions
January 7, 1993/1 session
January 20, 1993/2 sessions
February 1, 1993/2 sessions
February 23, 1993/1 session
March 8, 1993/1 session
April 8, 1993/2 sessions
April 19, 1993/2 sessions
June 1, 1993/2 sessions
June 14, 1993/1 session

Hearing Location: NASD, Inc./New York, NY

CASE SUMMARY

Claimant alleged that he entered into an Employment Agreement ("Agreement") with Respondents Paribas in 1986 to manage the Paribas Concorde Trust Limited (the "Concorde Trust"); however, he alleged that he was at all times subordinate to its Chief Executive Officer. Claimant alleged his compensation was directly keyed to the performance of the Concorde Trust he was to manage.

Claimant further alleged he was also employed by Paribas to manage its In-House Risk Arbitration Division (the "In-House Account") which was a separate fund with a risk arbitrage strategy essentially identical to that of the Concorde Trust. Claimant alleged he entered into a Risk Arbitrage Division Agreement with Paribas in 1988. Claimant alleged that profits were to be divided according to a formula between Paribas and he and two others as a group.

Claimant alleged that during 1988 he expressed his concerns to Paribas that inadequate information was being supplied to the Concorde Trust's outside directors regarding changes in investment practices. Claimant alleged that in

1990, orders were sent directly from the Paris headquarters of Compagnie Financiere de Paribas to begin immediately liquidating the arbitrage positions in the Concorde Trust. Claimant alleged he never approved this action. Claimant then alleged that Paribas liquidated the arbitrage positions in the In-House Account, thereby effectively eliminating his position at Paribas. Claimant alleged he protested the effective elimination of his position and Paribas then fired and evicted him from his own office. Claimant alleged Paribas told him it had to "review" his personal files, after which they would be returned to him; however, Paribas refused to return all the files to him.

Also, Claimant alleged Paribas settled complaints with other In-House Managers and that one of those settlements was unauthorized and by settling the other, Claimant alleged that Paribas admitted its obligation to compensate the managers whose jobs it had eliminated.

Claimant further alleged that under the In-house Agreement, Paribas was required to provide him with a full accounting of his Incentive Account Balance as of his termination date; however, he alleged that in July 1990 Paribas provided him with an incomplete statement of the monies it owed him.

Respondents Paribas asserted that from October 1984 through April 1990, it employed Claimant to manage funds invested by Paribas and, starting in 1986, also to manage funds raised from outside investors in the risk arbitrage market. Paribas alleged it paid Claimant an annual salary as well as a large portion of the profits earned on the managed investments as compensation for his services.

Respondents Paribas maintained that its prudent management of its in-house and outside risk arbitrage businesses cannot provide any basis for Claimant's claims. Further, Paribas contended Claimant's employment was terminated in accordance with the applicable agreements between the parties and it has tendered Claimant all the compensation to which he is entitled.

Respondents Matchett and Cuneo asserted that Claimant's claims were premised on meritless grounds. Respondents contended that prior to the Amended Claim being filed, Paribas moved to dismiss Claimant's single largest claim, which purportedly arose out of alleged improprieties in connection with the management of the Concorde Trust. Respondents maintained Claimant apparently conceded the merit of this motion and asserted for the first time in the Amended Claim that Paribas made a promise directly to him that the Concorde Trust would be managed in a particular fashion. Respondents contended that this promise was

not contained in the written agreements upon which Claimant relied.

Respondents Matchett and Cuneo further asserted that Claimant's sole purpose was to harass them and he has now chosen to add a number of individuals as would-be Respondents. Respondents maintained that all of Claimant's alleged claims were based on agreements between himself and Paribas, and that the Amended Claim fails to suggest any basis for an award against any individual Respondent. Respondents asserted that with respect to each of the individual Respondents, save one, the Amended Claim did not set forth what purported misconduct, if any, that individual engaged in. Respondents further contended that several of these individuals were not subject to any obligation to arbitrate, because they were not "associated persons" of Paribas as defined by the Code at the time of the events relevant to Claimant's alleged claims.

No other Statement of Answer was filed by any Respondent.

RELIEF REQUESTED

Claimant requested: actual damages in the amount of \$6,721,452, inclusive of interest from December 31, 1991; costs; legal and expert fees; and that the Panel should direct Paribas to provide Claimant with a corrected and complete accounting of his share of the In-House Account and his earnings in connection with the Concorde Trust; that Claimant was entitled to the properly calculated balance of his Incentive/Deferred Compensation Account; the Panel should declare that Paribas must indemnify Claimant for claims against him in his capacity as a Paribas officer and that Paribas cannot prosecute any claims against Claimant assigned to it by other Claimants; and punitive damages.

Respondents Paribas requested: the claim be dismissed in its entirety with prejudice; costs and attorneys' fees.

Respondent Matchett requested: judgment against Claimant dismissing the Amended Claim in its entirety, with prejudice; costs and attorneys' fees.

Respondent Cuneo requested: judgment against Claimant dismissing the Amended Claim in its entirety, with prejudice; costs and attorneys' fees.

OTHER ISSUES CONSIDERED & DECIDED

Respondents' Motion to Dismiss was granted as to all Respondents with the exception of Paribas Corporation and Paribas North America, Inc. on April 12,

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1991.

The Arbitrators issued a Final Order on June 8, 1992 which is attached as "Attachment A-1, A-2 & A-3".

AWARD

After considering the pleadings, the testimony and the evidence presented at the hearing, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

1. Respondents Paribas Corporation and Paribas North America, Inc. are hereby liable, jointly and severally, and shall pay to Claimant, George E. Morris, the sum of \$127,276.00;
2. Claimant's claim against Respondents for punitive damages is denied;
3. All other claims are denied;
4. Each party shall bear its own expenses.

FORUM FEES

Pursuant to Section 44c of the Code of Arbitration Procedure, the NASD shall retain Claimant's \$500.00 non-refundable filing fee and the following Forum Fees are assessed.

1 pre-hearing session X \$1,500.00 = net \$1,500.00 due.

2 pre-hearing sessions X \$300.00 = net \$600.00 due.

65 sessions X \$1,500.00 = net \$97,500.00 due.

Forum Fees Assessed Against:

1. Claimant, George E. Morris is hereby liable in the amount of \$49,800.00. However, as Claimant has already paid to the NASD the amount of \$41,300.00 as hearing session deposits, the amount due and owing to the NASD equals \$8,500.00;
2. Respondents Paribas Corporation and Paribas North America, Inc. are hereby liable, jointly and severally, in the amount of \$49,800.00. However,

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as Respondents have already paid to the NASD the amount of \$39,300.00 as hearing session deposits, the amount due and owing to the NASD equals \$10,500.00.

Fees are payable to the National Association of Securities Dealers, Inc.

Arbitrators' Signatures

C.A. Bell
C. Anthony Bell/Industry Arbitrator

Leon Goldsholl
Leon Goldsholl/Industry Arbitrator

John J. O'Neill
John J. O'Neill/Industry Arbitrator

Date of Decision: November 2, 1993

STATE OF

COUNTY OF

On this 3 day of Oct, 1993, before me personally appeared C. Anthony Bell known and known to me to be the individual described in and who executed the foregoing instrument and be duly acknowledged to me that she/he executed the same.

Notary Public, State of New York
No. 4659245
Qualified in Richmond County
Commission Expires 12/31/93
[Signature]

STATE OF New York

COUNTY OF Queens

On this 27th day of October, 1993, before me personally appeared Leon Goldsholl known and known to me to be the individual described in and who executed the foregoing instrument and be duly acknowledged to me that she/he executed the same.

[Signature]
CATHERINE A. WEEGE
NOTARY PUBLIC, State of New York
No. 4872087
Qualified in Queens County
Commission Expires Oct. 8, 94

STATE OF New York

COUNTY OF Nassau

On this 1st day of October, 1993, before me personally appeared John J. O'Neill known and known to me to be the individual described in and who executed the foregoing instrument and be duly acknowledged to me that she/he executed the same.

[Signature]

RICHARDE GONZALEZ
Notary Public, State of New York
No. 4659245
Qualified in Nassau County
Commission Expires Dec. 31, 93